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India

Grain and Feed

Quarterly Lock up Report: May 2008

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Report Highlights:
A record wheat harvest combined with larger government wheat procurement and higher carryover stocks caused the Agriculture Minister to rule out government wheat imports this marketing year. The GOI recently revised the 2007/08 food grain production estimate upward to a record 227.3 million tons from its earlier estimate of 219.3 million tons, citing favorable growing conditions for the upward revision. The revised estimate includes 76.8 million tons of recently harvested wheat, 95.7 million tons of rice, and 39.7 million tons of coarse grains, and 15.2 million tons pulses, all records. Concerns about food inflation forced the government to ban exports of non-basmati rice effective April 1, 2008, impose an export duty of $200 per ton on basmati rice on top of the minimum export price of $1,000 per ton, make rice imports duty free, and restrict private participation in wheat purchases.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
New Delhi [IN1]
[IN]

Table 1: Commodity, Wheat, PSD

Wheat India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Apr 2006			Market Year Begin: Apr 2007			Market Year Begin: Apr 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	26400	26400	26400	28200	28200	28200		27700	27700
Beginning Stocks	2000	2000	2000	4500	4500	4500		5500	5800
Production	69350	69350	69350	75810	75810	75810		74500	76780
MY Imports	6708	6080	6080	2000	2000	2000		2000	500
TY Imports	6708	6200	6200	1800	1800	1800		2000	500
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**78058**	**77430**	**77430**	**82310**	**82310**	**82310**		**82000**	**83080**
MY Exports	200	200	200	50	50	50		50	50
TY Exports	200	200	200	50	50	50		50	50
Feed Consumption	300	300	300	200	200	200		100	100
FSI Consumption	73058	72430	72430	75650	76560	76260		77850	78000
Total Consumption	73358	72730	72730	75850	76760	76460		77950	78100
Ending Stocks	4500	4500	4500	6410	5500	5800		4000	4930
Total Distribution	**78058**	**77430**	**77430**	**82310**	**82310**	**82310**		**82000**	**83080**

Table 2: Commodity, Rice, PSD

Rice, Milled India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	44000	44000	44000	44000	44000	44000		44500	44500
Beginning Stocks	10520	10520	10520	11430	11430	11430		12000	13000
Milled Production	93350	93350	93350	94000	94080	95680		94500	96000
Rough Production	140039	140039	140039	141014	141134	143534		141764	144014
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666		6666	6666
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**103870**	**103870**	**103870**	**105430**	**105510**	**107110**		**106500**	**109000**
MY Exports	5500	5500	5500	3000	2500	2500		2500	2000
TY Exports	5000	5000	6000	3000	2500	2500		2500	2000
Total Consumption	86940	86940	86940	90430	91010	91610		93000	93000
Ending Stocks	11430	11430	11430	12000	12000	13000		11000	14000
Total Distribution	**103870**	**103870**	**103870**	**105430**	**105510**	**107110**		**106500**	**109000**

Grain production estimates revised upward

The Agriculture Ministry's third advance estimate places total 2007/08 total food grain production, which includes the wheat crop just harvested, and rice, coarse grains, and pulse crops harvested last fall and this spring at a record 227.3 million tons, 10 million tons above the 2006/07 level of 217.3 million tons and 8 million tons above the government's second advance estimate of 219.3 million tons released in early February (http://dacnet.nic.in/eands/Advance_Estimate/3-adv-est-07-08.pdf)
Although some observers of the Indian agriculture scene are somewhat skeptical of such a significant upward revision in grain production, the Agriculture Ministry is attributing the production increase to favorable growing conditions for the winter crops and greater distribution of improved seeds to farmers, resulting in higher yields, despite a half a million hectare decline in planted area. The final estimate of the crop production will be released only by the end of the year. (For details on India's methodology of crop estimation, please see: http://dacnet.nic.in/eands/METHODOLOGY%20OF%20CROP%20ESTIMATION.pdf)

Most of the increase in wheat production this year was reported in Gujarat and Madhya Pradesh, whereas the major wheat growing states of Uttar Pradesh, Punjab, and Haryana did not record any significant increase in production. Post has revised the PS&D tables for various grains to reflect the new government estimates.

Wheat procurement ahead of last year

Increased production, a higher government support price, and the GOI's aggressive wheat procurement strategy of discouraging private trade participation in wheat purchases (using provisions of the Essential Commodities Act, movement restrictions, and an export ban) helped the government to procure more wheat this year. Procurement through May 1 was 15.4 million tons, compared with 8.2 million tons procured during the corresponding period of MY 2007/08. With some additional procurement expected in the coming weeks, total MY 2008/09 wheat procurement is likely to touch around 16.5 million tons against last year's 11.1 million tons and the record procurement of 20.6 million tons in MY 2001/02. Although most of the procurement this year was from Punjab (8.3 million tons) and Haryana (about 4.7 million tons), other states such as Madhya Pradesh, Uttar Pradesh, and Rajasthan also contributed significant quantities to the central pool. Table 3 shows wheat procurement by state:

Table 3: Wheat Procurement by State (million metric tons)

State	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 1/
Punjab	10.56	9.86	8.94	9.24	9.01	6.95	6.78	9.00
Haryana	6.41	5.89	5.12	5.12	4.53	2.23	3.35	4.80
U.P.	2.45	2.11	1.21	1.74	0.56	0.05	0.55	1.00
Rajasthan	0.68	0.46	0.26	0.28	0.16	0.00	0.38	0.55
Other	0.53	0.71	0.27	0.42	0.53	0.00	0.04	1.15
Total	**20.63**	**19.03**	**15.80**	**16.80**	**14.79**	**9.23**	**11.10**	**16.50**

1/ Estimated

Private wheat purchases, particularly from the major surplus states of Punjab and Haryana, were negligible as private traders were afraid that the government would take disciplinary action against them under the Essential Commodities Act if they purchased more wheat. Farmers were also generally satisfied with the higher government support price this year (Rs. 10,000 =$250 per ton), although they could have received a much higher price had there been no restriction on wheat exports and the private trade was permitted to operate domestically without restrictions.

Wheat import prospects dim

Higher wheat procurement by the government this year combined with larger government carryover stocks has dimmed wheat import prospects this year. With carryover stocks of 5.8 million tons on April 1, 2008, (compared with 4.6 million tons a year ago and 2 million tons on April 1, 2006) and a likely government procurement of 16.5 million tons, total wheat availability from the government would be around 22.3 million tons, which is more than adequate to meet the PDS requirement under normal conditions (12 to 14 million tons) and leave adequate carry over stocks for next marketing year. However, wheat prices in the open market are likely to be higher this year, particularly during the lean period of October 2008 to March 2009, as the larger wheat procurement by the government has significantly reduced wheat availability in the open market (Table 4).

Table 4: Wheat production, procurement, and open market availability (million tons)

Marketing year	Production	Government Procurement	Open Market Availability 1/
2000/01	76.37	16.36	60.01
2001/02	69.68	20.63	49.05
2002/03	72.77	19.03	53.74
2003/04	65.76	15.80	49.96
2004/05	72.15	16.80	55.35
2005/06	68.64	14.79	53.85
2006/07	69.35	9.23	60.12
2007/08	75.81	11.10	64.71
2008/09	76.78	16.50 2/	60.28

1/ Production – government procurement
2/ Estimate
Source: GOI

To contain the likely price rise, the government may be forced to distribute more wheat through the PDS and even through open commercial market sales at below market prices to flour millers in the south, particularly in view of the national election next year. The tight rice supply situation will also force the government to distribute more wheat, which would result in larger than normal offtake from government stocks in MY 2008/09. Although wheat imports this marketing year appear unlikey, the following situations could lead to imports, albeit at a modest level: (a) domestic wheat prices rise significantly this fall and world wheat prices decline sharply making imports cheaper, especially for flour millers in southern India; (b) failure of the summer monsoon rains this year jeopardizing food grain production in the *kharif* (fall harvested) season; (c) the government's desire to build a strategic grain reserve over and above the buffer stock level. Post has revised the MY 2008/09 wheat import forecast downward to 500,000 tons from the earlier forecast of 2 million tons.

Although Indian wheat prices are currently the cheapest in the world and India could have emerged as a major exporter of wheat in 2008, the government has banned wheat exports due to fears of food inflation.

Food subsidy to balloon

The significant increase in the support price could result in a significant increase in the government's food subsidy, if the wheat sold through the Public Distribution System (PDS) is not revised upward. The wheat support price for MY 2008/09 was revised upward by Rs. 1,500 per ton to Rs. 10,000 ($250). On top of the support price, the government has to pay state taxes and levies, market fees, and commissions (totaling 12.5 percent of the purchase price in Punjab, 10.5 percent in Haryana and smaller percentages in other states), and bear transportation and storage charges, taking the cost price to around Rs. 14,600 ($362) per ton. Because of political compulsions and fears of food inflation, the government is unlikely to revise the sales price of wheat distributed through the PDS, which is currently Rs. 6,100 per ton for the above poverty line (APL) clientele, Rs. 4,150 for the below poverty line clientele, and Rs. 2,000 per ton for the poorest-of-the-poor.

In the case of official rice procurement also, the economic cost to the government is around 16,000 per ton against the sales price of Rs. 7,950 per ton for APL, Rs. 5,650 per ton for the BPL, and Rs. 3,000 per ton for the poorest-of-the-poor. Although the government has made a budgetary provision of Rs. 327 billion ($8.2 billion) for the food subsidy expense for IFY 2008/09, the actual subsidy is likely to be even higher. The food subsidy is paid out indirectly by offering subsidized basic foods (wheat and rice) to identified "below poverty line" (BPL) families via the public distribution system at the state level. The PDS system provides subsidized food to over 60 million BPL households in India, making it one of the largest subsidized food schemes in the world.

Rice production up

Despite damage caused by rains and floods during the growing season, the GOI has revised 2007/08 rice production upward to a record 95.7 million tons from the earlier estimate of 94.1 million tons, and the MY 2006/07 estimate of 93.4 million tons. The 2007/08 production estimate consisted of 82.8 million tons of 2007 fall harvested (*kharif*) production and 12.9 million tons of the 2008 spring harvested (*rabi*) production.

Procurement and stocks marginally higher …

Rice procurement in MY 2007/08 through April was marginally ahead of last year at 22.9 million tons. With some additional procurement likely from the southern state of Andhra Pradesh, total MY 2007/08 procurement is expected to be around 26 million tons compared with 25.1 million tons in MY 2006/07 and record procurement of 27.7 million tons in MY 2005/06. The restriction on rice exports and private purchases has helped the government to maximize procurement this year. Government-held rice stocks on April 1, 2008, were 13.8 million tons against 13.2 million tons a year ago and the GOI's desired minimum April 1 buffer stock level of 13.2 million tons.

… Exports to fall sharply

Concerns about food inflation led the government to restrict rice exports and allow duty free imports. Effective October 9, 2007, the government banned exports of all non-basmati rice to ensure adequate rice availability in the domestic market and to rebuild stocks. However, in response to demand from rice exporters and some governments of major rice exporting states in India, the government decided to establish a minimum export price of $425 per ton on October 31, 2007, which would permit only high quality rice, not required for distribution through the PDS, to be exported. However, effective December 27, 2007, the government hiked the minimum export price (MEP) of rice to $500 (Rs. 20,000) per ton and further to $650 per ton on March 5, and $1,000 per ton on March 27, 2008, and completely banned exports effective April 1, 2008. In the case of basmati rice, the MEP was gradually increased from $900 per ton March 5, 2008, to $1,100 per ton on March 27, 2008, and $1,200 per ton on April 1, 2008. On April 29, 2008, the Finance Minister announced in the Parliament that the MEP would be reduced to $1,000 per ton but would attract an export duty of $200 per ton. However, the government has reportedly permitted exports of 500,000 tons of non-basmati rice to Bangladesh, announced in the aftermath of cyclone damage in Bangladesh. According preliminary government data, rice exports in CY 2007 were around 6 million tons.

The export ban on non-basmati rice and the export restriction on basmati rice would drastically lower India's rice exports in CY 2008 and MY 2008/09 to around 2.0 million tons, mostly basmati rice, and some non-basmati rice exports under bilateral agreements/food aid programs. Although India abolished the import duty on rice effective March 21, 2008, through March 31, 2009, no imports have taken place so far as world prices are much higher than Indian prices.

MY 2007/08 coarse grain production a record

According to the GOI's revised production estimates, total coarse grain production in 2007/08 was a record 39.7 million tons, 5.8 million tons higher than in 2006/07, with most of the increase in corn, which reached a record 18.5 million tons. Production of other coarse grains in MY 2007/08 includes 7.7 million tons of sorghum, 12.2 million tons of millet and 1.3 million tons barley marketed in MY 2008/09. The increase is largely in response to higher international prices as India has now emerged as an exporter of corn and there are no export restrictions on corn unlike in the case of wheat and rice.

India's MY 2007/08 corn exports are estimated at 1.5 million tons, mostly to South East Asian countries and the Middle East. Besides corn, India is also exporting some barley. In October-November 2007, India exported around 150,000 tons of barley, mostly to the Middle East and shipments are likely to continue in MY 2008/09.

Pulse production also a record

India's total pulse production in MY 2008/09 is officially estimated at a record 15.2 million tons, one million tons above MY 2007/08 production, and included 6.1 million tons of chickpeas, 3 million tons of pigeon peas, 1.6 million tons of urd (black matpe) and 1.6 million tons of mung beans. Despite higher production, domestic prices continue to be high, necessitating large imports.

Table 5: Commodity, Corn, PSD

Corn India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Nov 2006			Market Year Begin: Nov 2007			Market Year Begin: Nov 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	7800	7800	7800	8300	8300	8300		8400	8400
Beginning Stocks	264	264	264	264	244	244		644	800
Production	15100	15100	15100	16800	16780	18540		17000	18500
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**15364**	**15364**	**15364**	**17064**	**17024**	**18784**		**17644**	**19300**
MY Exports	400	400	400	700	700	1500		1000	1500
TY Exports	450	450	450	700	700	1500		1000	1500
Feed Consumption	6400	6420	6420	6300	6300	6500		6500	6700
FSI Consumption	8300	8300	8300	9400	9380	9984		9494	10450
Total Consumption	14700	14720	14720	15700	15680	16484		15994	17150
Ending Stocks	264	244	244	664	644	800		650	650
Total Distribution	**15364**	**15364**	**15364**	**17064**	**17024**	**18784**		**17644**	**19300**

Table 6: Commodity, Sorghum, PSD

Sorghum India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Nov 2006			Market Year Begin: Nov 2007			Market Year Begin: Nov 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	8510	8510	8510	8400	8400	8400		8100	8100
Beginning Stocks	145	145	145	220	220	220		200	300
Production	7150	7150	7150	7300	7340	7730		7000	7000
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**7295**	**7295**	**7295**	**7520**	**7560**	**7950**		**7200**	**7300**
MY Exports	25	25	25	25	25	50		0	0
TY Exports	25	25	25	25	25	50		0	0
Feed Consumption	1200	1200	1200	1200	1250	1250		1200	1200
FSI Consumption	5850	5850	5850	6095	6085	6350		5850	5950
Total Consumption	7050	7050	7050	7295	7335	7600		7050	7150
Ending Stocks	220	220	220	200	200	300		150	150
Total Distribution	**7295**	**7295**	**7295**	**7520**	**7560**	**7950**		**7200**	**7300**

Table 7: Commodity, Millet, PSD

Millet India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Nov 2006			Market Year Begin: Nov 2007			Market Year Begin: Nov 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Harvested	10300	10300	10300	10800	10800	10800		10500	10500
Beginning Stocks	200	200	200	170	160	160		160	410
Production	9070	9070	9070	10600	10610	12150		9500	10000
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**9270**	**9270**	**9270**	**10770**	**10770**	**12310**		**9660**	**10410**
MY Exports	0	0	0	0	0	0		0	0
TY Exports	0	0	0	0	0	0		0	0
Feed Consumption	800	800	800	900	850	900		850	900
FSI Consumption	8300	8310	8310	9700	9760	11000		8660	9310
Total Consumption	9100	9110	9110	10600	10610	11900		9510	10210
Ending Stocks	170	160	160	170	160	410		150	200
Total Distribution	**9270**	**9270**	**9270**	**10770**	**10770**	**12310**		**9660**	**10410**

Table 8: Commodity, Barley, PSD

Barley India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Apr 2006			Market Year Begin: Apr 2007			Market Year Begin: Apr 2008		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Harvested	700	700	700	770	770	770		750	750
Beginning Stocks	34	34	34	34	34	34		34	34
Production	1220	1220	1220	1330	1330	1330		1400	1250
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	**1254**	**1254**	**1254**	**1364**	**1364**	**1364**		**1434**	**1284**
MY Exports	0	0	0	0	0	150		0	150
TY Exports	0	0	0	0	0	150		0	150
Feed Consumption	100	100	100	100	100	100		100	100
FSI Consumption	1120	1120	1120	1230	1230	1080		1304	1004
Total Consumption	1220	1220	1220	1330	1330	1180		1404	1104
Ending Stocks	34	34	34	34	34	34		30	30
Total Distribution	**1254**	**1254**	**1254**	**1364**	**1364**	**1364**		**1434**	**1284**